

REALIA



January-September 2017 Results

17 October 2017

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1.- SUMMARY

REVENUE AND RESULTS

- Total revenue in 3Q 2017 was €75,2m, 5% higher than in 3Q 2016. Commercial Property improved by 2% and, most notably, Residential business increased by 26%.
- EBITDA reached €32,9m vs €30,2m in 3Q 2016.
- As of September 2017, Net results (Group share) reached €25,4 vs €89,2m the previous year. Last year result reflected several extraordinary impacts (haircuts, variation on the fair value of property investments, provisions, ...).
- Recurrent Net Results (Group share) reached €15,4m vs €17,6m in 3Q 2016, due to increase in financial cost.

INDEBTNESS

- Realia has reduced its gross financial debt to €779m, €162m less than 3Q 2016 and €72m less than the beginning of the year.
- Net financial result reaches €-12m vs €-5,8 millones in 3Q 2016. This result shows the higher cost of the Commercial Property business debt signed in April 2017.
- As of 30 September 2017, Realia has a net financial debt of €711m, 21% lower than in September 2016.

COMMERCIAL PROPERTY

- Gross rental income was €57m, 2% higher than the previous year. This improvement is due to a slight better occupancy (93,8% vs 92,3%).

LAND AND HOMEBUILDING

- Realia has delivered 80 units for a total amount of €16,9m vs 69 units and €13,4m in the previous year.

2.- FINANCIAL HIGHLIGHTS

(€mm)	3Q 2017	3Q 2016	Var. (%)
Total Revenue	75,2	71,7	5,0
Rental Income	44,8	43,6	2,8
EBITDA	32,9	30,2	8,9
Net Result (Group share)	25,4	89,2	-71,6
Net Financial Debt	711	900	-21,0
Nº Shares (mm)	644,2	460,1	40,0
Earnings per Share (€)	0,039	0,194	-79,7

3.- OPERATIONAL HIGHLIGHTS

	3Q 2017	3Q 2016	Var. (%)
Commercial Property			
GLA (sqm)	405.877	404.807	0,3
Occupancy rate (%)	93,8	92,3	1,6
Land & Homebuilding			
Pre-sales			
Total value of contracts (€mm)	16,9	13,4	26,0
Units	80	69	15,9
Nº Employees	91	94	-3,2

Number of Employees	30 Sept. 2017	30 Sept. 2016	Var. (%)
Total	91	94	-3,2
Realia Business	40	42	-4,8
Realia Patrimonio	4	4	0,0
Hermanos Revilla	46	47	-2,1
Realia Polska	1	1	0,0
Concierge services HR	35	36	

4.- CONSOLIDATED INCOME STATEMENT

(€mm)	3Q 2017	3Q 2016	Var. (%)
Total Revenue	75,2	71,6	5,0
Rents	44,8	43,6	2,8
Expenses provision	11,9	11,7	2,0
Sale of assets	0,0	0,4	-100,0
Homebuilding	16,9	13,4	26,0
Land sales	0,0	0,9	-100,0
Services	0,8	0,2	310,0
Other	0,7	1,4	-50,0
Total Gross Margin	38,5	36,2	6,6
Rents	38,7	37,8	2,3
Homebuilding	-0,3	-1,8	83,2
Services	0,2	0,2	-15,0
Overheads	-5,5	-5,9	5,9
Other costs	-0,1	-0,1	-20,0
EBITDA	32,9	30,2	9,0
Amortization	-0,3	-0,3	6,9
Depreciation	6,7	-48,5	113,8
EBIT	39,3	-18,7	310,8
Fair value appraisal result	15,6	9,3	69,1
Financial result	-12,0	107,5	-111,1
Equity method	1,9	-1,0	288,2
Earnings before taxes	44,9	97,1	-53,8
Taxes	-11,1	-3,7	-200,0
Results after taxes	33,8	93,4	-63,8
Minority Interests	8,4	4,2	98,1
Net Results (Group share)	25,4	89,2	-71,5
Recurrent Net Results (Group share)	15,4	17,6	-12,5

- Company total revenue was €75,2, 5% higher than in 2016, mainly due to higher sales in the Residential business (€16,9m vs €13,4m in 3Q 2016) and a slight improvement in the rental income.
- EBITDA has gone up slightly, €32,9m, due to better business margins and overheads reduction.
- Reversal of provisions reached €6,7m, as detailed in the following table:

Provisions breakdown (€mm)	3Q 2017
Reversal of provisions	0,3
Finished residential product	2,6
Land bank	-0,1
Others (clients, litigations, ...)	3,9
Total	6,7

- Earnings before taxes reached €44,9m vs €97,1m in 3Q 2016. Net results (Group share) in 3Q 2017 reached €25,4m vs €89,2m in 3Q 2016.
- Recurrent net results (Group share) were €15,4m vs €17,6m in 3Q 2016.

5.- CONSOLIDATED BALANCE SHEET

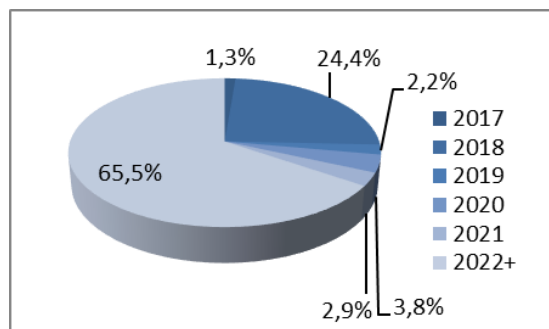
(€mm)	ASSETS	30 Sept. 2017	31 Dec. 2016	LIABILITIES	30 Sept. 2017	31 Dec. 2016
	Tangible fixed assets	5	5	Equity	801	777
	Investment property	1.252	1.356	Minority shareholders	240	232
	Inventories	305	315	Financial debt	779	851
	Accounts receivable	12	12	Current creditors	31	21
	Treasury and equivalents	68	101	Other liabilities	181	178
	Other assets	390	269			
	Total Assets	2.032	2.059	Total Liabilities	2.032	2.059

6.- FINANCIAL STRUCTURE

	REALIA Patrimonio	REALIA Business	3Q 2017	3Q 2016	Var. (%)	Dec. 2016
	Commercial Property	Land & Homebuilding				
Syndicated loans	582	0	582	678	-14,2	678
Other loans	51	155	206	264	-21,8	174
Derivatives. M-T-M	4	0	4	0		0
Interests	2	1	3	1	n/m	0
Debt formalisation expenses	-16	-0	-16	-1	n/m	-1
Total Gross Financial Debt	623	156	779	941	-17,2	851
Cash and equivalents	24	44	68	41	65,9	101
Total Net Financial Debt	599	112	711	900	-21,0	750

- As of 30 September 2017, Realia had a gross financial debt of €779m, 17% lower than in 3Q 2016 (€941m).
- Likewise, cash and equivalents reached €68m. Therefore, the net financial debt reached €711m vs €900m at 3Q 2016.
- Over 2017, total net financial debt has gone from €750m to €711m, reflecting cash flow generation from the recurring business.
- As of 30 September 2017, the weighted average interest rate of the gross debt was 1,94% vs 0,54% in 3Q 2016.
- As of 30 September 2017, the breakdown of the gross debt maturity is the following:

Gross Debt Maturity



7.- COMMERCIAL PROPERTY
Rents ⁽¹⁾

(Thousands of Euros)	3Q 2017	3Q 2016	Var. (%)
Rental income	48.440	47.142	2,8%
Other income	13.581	13.066	3,9%
Total revenue	62.022	60.209	3,0%
Expenses incurred	-16.910	-16.999	0,5%
Other expenses	-3.474	-3.227	-7,6%
Total Gross Margin	41.638	39.983	4,1%
Margin (%)	86,0%	84,8%	1,3%
Income As Cancelas (and others)	-5.072	-4.279	
TOTAL REVENUE (IAS)	56.950	55.930	1,8%
Expenses As Cancelas (and others)	1.954	2.086	
Total Gross Margin (IAS)	38.520	37.790	1,9%

(*) The shopping centre As Cancelas has consolidated by the EQUITY METHOD

- Gross margin has improved by 86%.

Rental income (Lfl)⁽²⁾

(Thousands of Euros)	3Q 2017	3Q 2016	Var. (%)	GLA (sqm)	Occup. 3Q 2017 (%)	Occup. 3Q 2016 (%)
Offices	33.101	31.830	4,0%	226.729	95,2%	93,5%
CBD	16.019	15.715	1,9%	84.420	93,9%	95,5%
BD	5.961	5.715	4,3%	42.653	100,0%	95,1%
Periferia	11.120	10.400	6,9%	99.656	94,2%	91,2%
Retail & Leisure	12.719	12.830	-0,9%	135.891	89,5%	88,0%
Other	2.620	2.483	5,5%	43.257	100,0%	99,8%
Total Revenue	48.440	47.142	2,8%	405.877	93,8%	92,3%

⁽²⁾ Homogeneous surfaces (like for like). The office building "Los Cubos" being vacant and under refurbishment is not included in this chart.

(Thousands of Euros)	3Q 2017	3Q 2016	Var. (%)	GLA (sqm)	Occup. 3Q 2017 (%)	Occup. 3Q 2016 (%)
Madrid	34.788	34.038	2,2%	249.826	96,4%	93,8%
CBD	16.483	16.209	1,7%	79.563	95,7%	96,7%
BD	7.316	7.052	3,8%	49.895	100,0%	95,8%
Periferia	10.989	10.777	2,0%	120.367	95,5%	91,0%
Barcelona	4.067	3.452	17,8%	32.325	98,2%	92,9%
Other	9.585	9.653	-0,7%	123.726	87,3%	89,3%
Total Revenue	48.440	47.142	2,8%	405.877	93,8%	92,3%

⁽²⁾ Homogeneous surfaces (like for like). The office building "Los Cubos" being vacant and under refurbishment is not included in this chart.

- Slight rental increase in nearly all the business segments, mainly due to better occupancy.

8.- LAND AND HOMEBUILDING (RESIDENTIAL)

(€mm)	3Q 2017	3Q 2016	Var. (%)
<u>Revenues</u>			
Homebuilding	16,9	13,4	26,0
Land sales & Others	0,5	2,1	-75,0
Total Revenues	17,4	15,5	12,4
<u>Costs</u>			
Sale costs	-14,8	-14,6	-2,0
Total Costs	-14,8	-14,6	-2,0
Homebuilding Operating Margin (1)	2,6	1,0	170,8
Homebuilding Margin (%)	15%	6%	140,9
Provisions Reversal	2,6	2,6	0
Margin (After Provisions)	5,2	3,6	46,1

(1) Margin directly related to the units sold during the year. All other costs are not included.

- Revenue from the Land & Homebuilding business amounted €17,4m, 12% higher than last year.
- Gross margin at €2,6m, applying the criteria described above, more than doubled previous year's. After adjusting for provisions reversion, it reached €5,2m, 45% higher than 2016,

Deliveries	Nº Units	Revenue €MM
Madrid/Centre	46	12,1
Levante	11	1,5
Catalonia	4	0,6
Andalusia	18	2,4
Poland	1	0,2
Total	80	16,9

Home stock evolution	3Q 2017	3Q 2016	Var. (%)
Pre-sales			
Number of units	84	71	18,3%
Total value of contracts (€MM)	18,7	14,3	30,8%
Deliveries			
Number of homes	80	69	15,9%
Total value of contracts (€MM)	16,9	13,4	25,8%
Stock at eoP			
Number of units	451	557	-19,0%

- In this period, Realia has delivered 80 units (homes, small retail, offices and plots of land), vs. 69 units delivered in 3Q 2016, highlighting deeds of sale in the Centro area.
- As of 30 September 2017, Realia has a total stock of 410 units (homes, small retail and offices) finished non-delivered, of which 16 are pre-sold.
- There are also 41 plots for single-family housing for sale in a development.
- The homes breakdown is the following: 75% first homes and 25% second homes.

9.- STOCK DATA

- The closing data price (€ per share) has been 1,10 Euro. It increased by 27,9% vs 2016.

	30 Sept. 2017
Closing Stock Price (€ per share)	1,100
Market cap. EoP (€)	709.288.752
High of the period (€ per share)	1,140
Low of the period (€ per share)	0,830
Average of the period (€ per share)	0,979
Daily Trading Volume (€)	274.271
Daily Trading Volume (shares)	280.277

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APPENDIX – GLOSSARY OF APMs**Gross Margin:**

Results directly attributable to the business activity. Company's total revenue (net revenue, other operating revenues and sale of assets) minus direct costs (variation in stock of finished product or product in the pipeline, depreciations, other operating charges - overheads deducted -, disposal of assets and other results).

EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization):

Operating result (profit or loss) deducted from provisions for depreciation and variation in operating provisions.

EBIT (Earnings Before Interest and Taxes):

Operating profit plus change in the value of investment property and result for variation between assets value and impairment of assets.

Recurrent Result:

Net result attributable to the parent Company without effects of extraordinary items such as haircuts, provisions and change in the value of investment property.

Gross Financial Debt:

Current and non-current loans with credit institutions plus current and non-current financial liabilities. Financing from equity loans and debts with suppliers of fixed assets are not included

Net Financial Debt (NFD):

Gross financial debt minus cash and cash equivalents.

EPRA Net Net Asset Value (NNAV):

Equity attributable to the parent Company, adjusted for any latent capital gains of current assets and own use at market value and deducting the taxes that will be borne for these capital gains, considering tax regulation at the time of the calculation

EPRA Net Net Asset Value (NNAV) per share:

It is calculated by dividing EPRA NNAV into number of shares outstanding (treasury shares not included).

EPRA (European Public Real Estate Association):

Association of European listed property companies that recommend standards of best practices.

Earnings per share:

It is calculated by dividing the result attributable to the parent Company and the number of shares outstanding (treasury shares not included) at the end of the referred period.

Loan to Value (LTV):

The LTV ratio is calculated by dividing the Net Financial Debt (NFD) into the GAV, replacement asset value, (assets market value plus transaction costs, performed by two independent appraisers: (CB Richard Ellis, valuation according to the RICS Method and Tinsa, valuation according to the ECO Method).

GAV (Liquidation Value):

Assets valuation performed by independent appraisers (Tinsa and CBRE).

BD:

Business District

CBD:

Central Business District

Rents like for like:

Comparison of rents from different periods. Investments/divestments, projects, refurbishments and other adjustments as indemnities are not included.

GAV like for like:

Comparison of valuation data from different periods, investments/divestments non-included.

Occupancy:

Surface area occupied by the rental assets portfolio divided by the surface of the portfolio in operation.

Yield:

Annualized rents, considering 100% occupancy divided by GAV of assets in operation (percentage rate).

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